

Message Text

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FM AMEMBASSY BONN

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INFO AMEMBASSY LONDON

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C O N F I D E N T I A L SECTION 01 OF 06 BONN 13651

DEPARTMENT PASS TREASURY, FRB AND CEA

E.O. 11652: GDS

TAGS: EFIN, GW

SUBJECT: OPTIMISTIC SPECIAL REPORT OF FRG COUNCIL OF
ECONOMIC ADVISORS RAISES SOME EYEBROWS

1. SUMMARY. ALTHOUGH THE JUST-ISSUED COUNCIL OF ECONOMIC
ADVISORS REPORT FORECAST OF A 3 PERCENT DROP IN GNP FOR
1975 REPRESENTS A CONSIDERABLE SCALING DOWN FROM ITS
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EARLIER PREDICTION, IT STILL UNDERSTATES THE SERIOUSNESS

OF THE DECLINE BY ONE OR TWO PERCENT. OVERLY OPTIMISTIC ASSUMPTIONS REGARDING EXPORTS AND PERHAPS INVESTMENT CAUSE THIS BIAS. FOR 1976 THE COUNCIL OFFERS A "TARGET PROJECTION" RATHER THAN A FORECAST (AS IT WAS ERRONEOUSLY INTERPRETED BY SOME) OF 6 PERCENT REAL GNP GROWTH. IT ADDS UP TO BEING MORE OF A STATEMENT OF WISHFUL THINKING AIMED AT PROVIDING A PSYCHOLOGICAL BOOST THAN BEING A SOUNDLY BASED VIEW OF THE ECONOMIC REALITIES. BEING THE PEP TALK THAT IT WAS AND ENDORSING THE EXISTING BASICALLY CONSERVATIVE GOVERNMENTAL ECONOMIC POLICIES AS IT DID, IT WAS NOT UNEXPECTEDLY PUBLICLY WELL-RECEIVED IN GOVERNMENT CIRCLES. SUPPORT FOR AN IMMEDIATE (AND MODEST) ECONOMIC STIMULATION PROGRAM WAS SIGNED (AND WAS ALMOST INSTANTANEOUSLY FOLLOWED UP BY THE GOVERNMENT'S ANNOUNCEMENT OF A DM 5.5 BILLION PROGRAM). PRESS COMMENTARY WAS LARGELY SKEPTICAL, AND BUSINESS THOUGHT IT TOO ROSY. PRIVATELY, GOVERNMENT OFFICIALS ADMIT IT WAS A CALCULATEDLY OPTIMISTIC VIEW OF THE ECONOMY AND FEEL, AS DOES THE EMBASSY, THAT A 4-5 PERCENT REAL DECLINE IN GNP FOR 1975 IS LIKELY, AND THAT SOMETHING LESS THAN 5 PERCENT IN 1976 IS THE MOST THAT CAN BE EXPECTED. FURTHER CREDIBILITY LOSS IS A BYPRODUCT OF THE REPORT. END SUMMARY.

2. THE GERMAN COUNCIL OF ECONOMIC EXPERTS ISSUED A SPECIAL REPORT ON THE STATE OF THE GERMAN ECONOMY AUGUST 17. THE REPORT CONTAINS A RATHER DETAILED AND QUANTIFIED FORECAST FOR THE YEAR 1975, BUT ONLY A VAGUE AND BRIEF APPRAISAL OF THE PROSPECTS FOR 1976. POLICY RECOMMENDATIONS ARE ALSO A FEATURE OF THE COUNCIL'S REPORT. THERE FOLLOWS AN EMBASSY REVIEW OF THESE THREE MAJOR ASPECTS OF THE REPORT PLUS THE PUBLIC REACTION OF SOME LEADING FIGURES AND ORGANIZATIONS AS WELL AS THE PRIVATE COMMENTS OF EMBASSY CONTACTS ON THE VALUE OF THE REPORT AND AN EMBASSY EVALUATION.

3. PRACTICALLY ALL OF THE QUANTIFICATION CONTAINED IN THE COUNCIL'S SPECIAL REPORT IS GIVEN OVER TO AN EXAMINATION OF WHAT HAS HAPPENED SO FAR AND WILL PROBABLY OCCUR IN THE REST OF 1975. THE COUNCIL JUDGED THE DROP IN REAL GNP IN THE FIRST HALF TO HAVE BEEN 5
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PERCENT AS COMPARED WITH THE FIRST HALF 1974. THE SECOND HALF 1975 GNP IS FORECAST BY THE COUNCIL TO DECLINE BY 1 PERCENT AS COMPARED WITH THE SAME PERIOD LAST YEAR. FOR THE YEAR AS A WHOLE THIS REFLECTS A DROP IN REAL GNP OF 3 PERCENT.

4. FOR COMPARISON PURPOSES THE EMBASSY HAS INCLUDED IN THE ACCOMPANYING TABLES 1 AND 2 THE COMPARABLE GROWTH

RATES FORECAST BY THE COUNCIL IN ITS LAST REPORT ISSUED
AT THE END OF 1974, WHEN IT LAST ASSESSED THE 1975
OUTLOOK. IT WILL BE SEEN THAT THE COUNCIL ON THAT
OCCASION WAS CONSIDERABLY ABOVE WHAT IT CURRENTLY
FORECASTS FOR THIS YEAR; IN FACT THERE IS A 5 PERCENT-
AGE POINT SPREAD BETWEEN THE TWO FORECASTS, SINCE AT
THAT TIME THEY THOUGHT A 2 PERCENT REAL GROWTH IN GNP IN
1975 WAS POSSIBLE. ONE COMPONENT WHERE THE FORECASTED
PERFORMANCE IS MUCH LESS THAN EARLIER ANTICIPATED IS
EXPORTS OF GOODS AND SERVICE, WHICH WAS FIRST THOUGHT
TO HAVE A 4 PERCENT REAL GROWTH CHANCE WHEREAS NOW THE
COUNCIL SEES A DECLINE OF 8 PERCENT. IN ABSOLUTE
NOMINAL TERMS (WHICH ARE ABOUT 40 PERCENT HIGHER THAN

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R 211807Z AUG 75

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THE REAL 1962 PRICE FIGURE) THIS AMOUNTS TO DM 42 BILLION LESS EXPORTS THAN THE COUNCIL'S EARLIER PROJECTION. (AS WILL BE SEEN LATER, WE THINK THAT EVEN THIS UNDERSTATES THE SERIOUSNESS OF THE EXPORT DROPOFF BY SOME DM 7 BILLION IN REAL TERMS AND DM 10 BILLION IN NOMINAL TERMS.) INVESTMENT ALSO IS NOW SEEN IN MUCH MORE PESSIMISTIC TERMS THAN EARLIER, WITH A 4 PERCENT GREATER DECLINE PREDICTED THAN PREVIOUSLY ANTICIPATED. PRIVATE CONSUMPTION AND PUBLIC CONSUMPTION PREDICTED GROWTH ARE LITTLE CHANGED.

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5. INTERESTINGLY ENOUGH, THE COUNCIL GAVE ONLY THE GROWTH RATES (SEE TABLE III) RATHER THAN THE ABSOLUTE VALUES FOR THE VARIOUS GNP COMPONENTS IN 1975. (WHETHER THIS WAS MOTIVATED BY AN ATTEMPT AT SIMPLIFICATION OR OBFUSCATION IS UNCLEAR.) FOR A MORE COMPLETE ANALYSIS THE EMBASSY APPLIED THESE GROWTH RATES TO THE 1974 BASE TO ARRIVE AT ABSOLUTE VALUES IN BOTH NOMINAL AND REAL TERMS; SEE APPENDED TABLES IV AND V. EXAMINING THESE ABSOLUTE VALUES FOR 1975'S SECOND HALF, THE EMBASSY FOUND EVIDENCE OF SOME RATHER OPTIMISTIC IF NOT UNREALISTIC ASSUMPTIONS BY THE COUNCIL. CONCRETELY, EXPORTS OF GOODS AND SERVICES IN THE SECOND HALF ARE FORECAST BY THE COUNCIL TO INCREASE BY 6.2 PERCENT OVER THE FIRST HALF IN THE NONSEASONALLY ADJUSTED TERMS, WHICH THE REPORT USES AS A BASE. THE EMBASSY APPROXIMATED A SEASONAL ADJUSTMENT FOR THIS GNP COMPONENT WHICH INDICATES THAT THE COUNCIL HAS IN MIND ABOUT A 7 PERCENT REAL INCREASE IN EXPORTS. THE EMBASSY CAN FIND NO JUSTIFICATION WHATSOEVER FOR THIS ROSY A FORECAST, PARTICULARLY GIVEN THE FOREIGN NEW ORDERS DEVELOPMENTS OF THE PAST FEW MONTHS, WHICH GIVE A CLUE TO WHAT WILL BE HAPPENING IN THE IMMEDIATE FUTURE. IT IS OUR FEELING THAT THE MAXIMUM EXPORT PERFORMANCE THAT MIGHT BE REASONABLY EXPECTED WOULD BE FOR A LEVELING OFF THE DECLINE OF THE FIRST HALF SO THAT THE SECOND HALF VOLUME WOULD APPROXIMATE THAT OF THE FIRST HALF. THIS WOULD IMPLY A DM 7 BILLION LESSER NET FOREIGN BALANCE IN THE SECOND HALF IN 1962 PRICES, OR A 1.3 PERCENTAGE POINT LESSER OVERALL GROWTH IN GNP FOR THE YEAR AS A WHOLE THAN THAT FORECAST BY THE COUNCIL. THEREFORE, INSTEAD OF THE COUNCIL'S MINUS 3 PERCENT GNP GROWTH EXPECTATION FOR 1975, THE EMBASSY CONSIDERS A NEGATIVE 4.3 PERCENT

GNP GROWTH RATE TO BE A MORE REALISTIC EXPECTATION OF THE 1975 PERFORMANCE IF ONLY THE CORRECTION FOR EXPORT OPTIMISM IS TAKEN INTO ACCOUNT. EXAMINING THE COUNCIL'S PROJECTED GROWTH IN THE INVESTMENT COMPONENT ON A SEASONALLY ADJUSTED BASIS IT WOULD APPEAR THAT WHAT IS ANTICIPATED IS 9.5 PERCENT REAL GROWTH OVER THE INVESTMENT LEVEL OF THE FIRST HALF, OR ABOUT THE GROWTH RATE REGISTERED IN THE SOMEWHAT CYCLICALLY COMPARABLE 1968
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ECONOMIC RECOVERY. THIS IS NOT SO PATENTLY UNREALISTIC AS IN THE CASE OF THE EXPORT PROJECTION, HOWEVER, IT IS CLEARLY ON THE OPTIMISTIC SIDE, GIVEN THE GENERALLY LESS FAVORABLE OUTLOOK AT THIS POINT THAN EXISTED IN 1968 -- PARTICULARLY REGARDING EXPORTS. ADJUSTMENT FOR THIS FACTOR COULD LOWER 1975 GROWTH TO THE -4.5 TO -5 PERCENT RANGE.

6. CONCERNING THE 1976 OUTLOOK, THE COUNCIL PRESENTS NO TABLES AND MAKES NO QUANTITATIVE FORECAST WHATSOEVER. RATHER, WHAT IS GIVEN IS WHAT IS CALLED A "TARGET" PROJECTION FOR THE YEAR, A DIFFERENTIATION THAT ESCAPED SOME READERS. THEY SAY THEY DO NOT CONSIDER IT UNREALISTIC TO SHOOT AT REAL GNP GROWTH OF 6 PERCENT IN 1976. THIS STATEMENT OF A GOAL -- NOT A FORECAST -- IS AGAINST THE BACKGROUND OF THE COUNCIL'S JUDGMENT THAT THERE EXISTS THE TECHNICAL POTENTIAL OF ACHIEVING AN AVERAGE ANNUAL GROWTH RATE OF 6 PERCENT OVER THE NEXT THREE YEARS GIVEN THE AVAILABLE PRODUCTIVE CAPACITY AND ITS ANTICIPATED GROWTH. WHAT IS SAID IS THAT IN GENERAL TERMS EVERYTHING -- INVESTMENT (AND THE RELATED PROFIT OUTLOOK), EXPORTS, INVENTORY BUILDING, CONSUMER PURCHASES, ETC. -- MUST CLICK JUST RIGHT IF THE GOAL IS TO BE REACHED. WHILE THE COUNCIL ADMITS THAT THIS MOST IDEAL OF SITUATIONS COULD POSSIBLY NOT COME ABOUT, IT MAKES NO EFFORT AT EVALUATING THE PROBABILITIES, NOT TO MENTION QUANTIFYING ALTERNATIVES. FRAMED IN THIS UNREAL WAY, THE REPORT IS THEREFORE NOT VERY USEFUL AS AN INDICATION OF WHAT IS GOING TO HAPPEN IN 1976. IT IS MERELY AN EXERCISE IN VAGUELY STATED WISHFUL THINKING.

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XMB-02 OPIC-03 LAB-04 SIL-01 /094 W

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R 211807Z AUG 75

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THE EMBASSY'S OPINION IS THAT ACTUAL REAL GNP GROWTH
WILL BE 1-2 PERCENT BELOW THE COUNCIL'S TARGET SINCE THE
DEMAND COMPONENTS WILL NOT LIKELY PERFORM IN A MANNER
TO MAKE ACHIEVEMENT OF THEIR GOAL POSSIBLE.

7. THE COUNCIL PROJECTS AN INCREASE IN THE 1975 PRIVATE
CONSUMPTION PRICE LEVEL OF 6 PERCENT, WHICH SEEMS MORE
OR LESS IN LINE WITH THE TREND IN CONSUMER PRICES SO FAR
THIS YEAR. THE GNP DEFLATOR IS FIXED AT 8.5 PERCENT
FOR 1975. THE 1976 CONSUMER PRICE DEVELOPMENT SHOULD
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BE IN THE RANGE OF 4 TO 5 PERCENT ACCORDING TO THE
REPORT. THIS LATTER STRIKES US AS BEING ON THE

OPTIMISTIC SIDE BY A POINT OR TWO.

8. ANYTHING LESS THAN 6 PERCENT REAL GNP GROWTH, STATES THE COUNCIL'S REPORT, WOULD RESULT IN A REDUCTION IN THE NUMBER OF JOBS AVAILABLE IN THE COURSE OF 1976. IN A PARTICULARLY HOPEFUL AND UNSUBSTANTIATED VIEW OF THE FUTURE, THE COUNCIL STATES THAT THE 1976/77 WINTER UNEMPLOYMENT PEAK COULD POSSIBLY AMOUNT TO HALF OF THE COMPARABLE 1975/1976 LEVEL, WHICH DEVELOPMENT IS ALSO PREDICATED ON AN UNSPECIFIED NUMBER OF FOREIGNERS DEPARTING GERMANY. IT SAID, HOWEVER, THAT THERE IS NO POSSIBILITY OF PREVENTING A RISE IN UNEMPLOYMENT THIS COMING WINTER, BUT IT FAILED TO QUANTIFY HOW HIGH UNEMPLOYMENT WOULD GO.

9. THE COUNCIL COMMENTS UPON AND MAKES CERTAIN RECOMMENDATIONS CONCERNING THE CENTRAL BANK AND GOVERNMENT POLICY FOR DEALING WITH THE ECONOMIC PROBLEMS OF THE DAY. MONETARY POLICY SHOULD CONTINUE ITS CURRENT COURSE, THE COUNCIL HOLDS, AND SHOULD NOT SEEK TO CHANGE THE RATE OF EXPANSION OF CENTRAL BANK MONEY IN 1976 FROM THE CURRENT 1975 TARGET OF 8 PERCENT. MOREOVER IT SHOULD FACILITATE LOWER INTEREST RATES. IT ENDORSES THE NECESSITY FOR AN IMMEDIATE ECONOMIC STIMULATION PROGRAM AIMED AT DAMPENING UNEMPLOYMENT DURING THE FIRST PART OF 1976. HOWEVER IT SAYS THIS PROGRAM SHOULD BE LIMITED IN VIEW OF THE BUDGETARY SITUATION WHICH IS SEEN AS LEADING TO A MORE THAN DM 40 BILLION DEFICIT AT THE FEDERAL LEVEL IN 1975, EVEN WITHOUT TAKING INTO ACCOUNT ANY NEW COUNTERCYCLICAL PROGRAM. NEVERTHELESS IT FEELS THAT A DM 4.8 BILLION PROGRAM OF THE TYPE CURRENTLY BEING CONSIDERED COULD BE EXPANDED SOMEWHAT. (SUBSEQUENT TO THE REPORT A DM 5.5 BILLION PROGRAM WAS DECIDED UPON BY THE GOVERNMENT.) OVER THE MEDIUM TERM, HOWEVER, THE PUBLIC SECTOR SHOULD SEEK TO CHECK THE GROWTH OF EXPENDITURES AND TO REDUCE DEFICITS. TO THIS END THEY RECOMMEND A DRASTIC LIMITATION OF GROWTH IN GOVERNMENT EXPENDITURES IN 1976; HOWEVER, THEY ADD THAT ANYTHING LESS THAN

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GROWTH IN THE RANGE OF 6-7 PERCENT WOULD BE UNREALISTIC TO EXPECT. SHOULD THE ECONOMY DEVELOP LESS FAVORABLY THAN THE COUNCIL'S TARGET, IT IS RECOMMENDED THAT POLICY SHOULD BE PREPARED TO DEAL WITH THE MATTER AND HAVE CONTINGENCY STIMULATION PLANS READY FOR IMPLEMENTATION. THERE SHOULD BE A SWITCH FROM LONG-TERM TO SHORT-TERM BORROWING IN ORDER TO AVOID OVERBURDENING THE CAPITAL MARKET. RESTRAINT IN THE FORTHCOMING ROUND OF WAGE NEGOTIATIONS IS THOUGHT

ESSENTIAL BY THE COUNCIL. THE SHARE OF INVESTMENT IN
GNP MUST BE GREATER THAN IN RECENT YEARS IN ORDER TO
ASSURE FUTURE GROWTH AND JOB CREATION. LABOR FEARS
THAT ABOVE AVERAGE RATE OF GROWTH IN INVESTMENT WOULD
ONLY BENEFIT BUSINESS COULD BE ALLEVIATED BY A PROFIT
SHARING ARRANGEMENT, THE COUNCIL IMPLIES. THIS COULD
MOTIVATE WORKERS TO EXERCISE RESTRAINT IN THEIR WAGE
CLAIMS, SAFEGUARD IF NOT IMPROVE THEIR POSITION

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XMB-02 OPIC-03 LAB-04 SIL-01 /094 W

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R 211807Z AUG 75

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REGARDING THE DISTRIBUTION OF THE PIE, AND SERVE TO
SHIFT TO LABOR SOME OF THE BUSINESS RISKS.

10. THE PRESS REPORTS THAT ECONOMICS MINISTER FRIDERICH
SEES THE COUNCIL'S REPORT AS CONFIRMING THE GOVERNMENT'S
PLANS FOR A LIMITED EXPANSIONARY PROGRAM. SPD SPOKESMAN
EHRENBURG IS QUOTED AS SAYING THAT THE FULL CONSENSUS OF
THE COUNCIL OF ECONOMIC ADVISORS AND THE FEDERAL
GOVERNMENT MAKES CLEAR THAT THERE IS NO
ALTERNATIVE TO THE ECONOMIC AND FISCAL POLICIES OF
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THE SOCIAL/LIBERAL COALITION. OPPOSITION SPOKESMEN
STRESSED THAT PORTION OF THE STUDY WHICH EMPHASIZES
THE NEED FOR DRASTIC ECONOMY MEASURES IN THE LONGER
RUN. FDP BUNDESTAG ECONOMIC EXPERT LAMBSDORF WELCOMED
THE COUNCIL'S RECOMMENDATIONS FOR A SHIFT TO A LARGER
SHARE OF GNP FOR INVESTMENT AND THE REMOVAL OF
STRUCTURAL PUBLIC SECTOR DEFICITS. A COUPLE OF
BUSINESS GROUPS EXPRESSED SURPRISE OVER THE OPTIMISM
OF THE COUNCIL'S REPORT AND INDICATED THAT THE
PROGNOSIS IS BASED UPON FICTITIOUS ASSUMPTIONS.
NEWSPAPER EDITORIALS WERE GENERALLY SKEPTICAL. THE
FRANKFURTER ALLGEMEINE OPINED THAT THE COUNCIL WAS
SEEING THINGS THROUGH ROSE-COLORED GLASSES. DIE WELT
SAID THE STUDY IS NOT SO MUCH AN ANALYSIS OF THE
ECONOMY AS A PIECE OF PSYCHOLOGY. HANDELSBLAT HEADLINED
THAT THE REPORT OFFERED LYRICS INSTEAD OF FIGURES.

11. A CHANCELLORY CONTACT TOLD US THAT HE CONSIDERS
THE COUNCIL OF ECONOMIC ADVISORS' REPORT FAR TOO
OPTIMISTIC. AS AN EXAMPLE HE SAID THAT HE CALCULATED
THAT THERE WOULD BE A 12 PERCENT REAL DROP IN THE
VOLUME OF EXPORTS OF GOODS AND SERVICES IN 1975 RATHER
THAN THE 8 PERCENT DECLINE THAT THE COUNCIL INCORPORATED
IN ITS FORECAST. HE AGREED THAT THE EFFORT WAS ONE
CALCULATED AT IMPROVING THE PSYCHOLOGICAL ATTITUDES
AND THEREFORE WAS OPTIMISTICALLY BIASED. ECONOMICS
MINISTRY DEPUTY ASSISTANT SECRETARY RAABE TOLD US THAT
HE TOO FELT THAT THE ADVISORS REPORT WAS FAR TOO ROSY.
HE PARTICULARLY SINGLED OUT THEIR PROJECTED GROWTH
RATE FOR INVESTMENT AS BEING TOO HIGH. THE MINISTRY'S
OWN FORECAST FOR 1975 IS FOR ONE PERCENT LOWER GNP
GROWTH THAN THAT SEEN BY THE COUNCIL, I.E., A 4 PERCENT
DECLINE IN GNP. THE SECOND HALF WOULD BE NOT NEARLY
SO FAVORABLE AS THE COUNCIL ANTICIPATES, RAABE
THOUGHT; RATHER THAN A NEGATIVE ONE PERCENT HE FORESAW
A NEGATIVE 3 PERCENT GROWTH, COMPARING THE SAME HALF
LAST YEAR. WITH REGARD TO 1976 THE ECONOMICS MINISTRY
OFFICIAL SAID THAT HE IS LOOKING FORWARD TO A LESS

THAN 5 PERCENT REAL GROWTH, AND THIS TAKING INTO ACCOUNT
THAT HE ASSUMES A LOWER STARTING POINT DUE TO HIS
LOWER GROWTH EXPECTATIONS FOR 1975 THAN THOSE ASSUMED
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BY THE COUNCIL. HE ALSO FELT THAT THE 6 PERCENT
AVERAGE GROWTH POTENTIAL OVER THE NEXT 3 YEARS WAS
ON THE HIGH SIDE. RAABE THOUGHT THE REPORT LACKED
SUBSTANCE IN TERMS OF DEMAND MANAGEMENT POLICY
RECOMMENDATIONS.

12. COMMENT. ALL IN ALL THE COUNCIL OF ECONOMIC
ADVISOR'S REPORT MAY BE CONSIDERED NOT MUCH MORE THAN
A CONFIDENCE BUILDING MEASURE RATHER THAN THE HARD
AND OBJECTIVE ANALYSIS BY ACADEMICS OF THE ECONOMIC
REALITIES WHICH IT IS ALLEGED TO BE. WHILE THERE MAY
BE SOME VALUE IN THIS AND DESPITE THE SELF-PROTECTING,
HEAVY CAVEATED TEXT, IT HAS BEEN OVERDONE TO THE
EXTENT OF STRAINING CREDIBILITY TO THE BREAKING POINT.
CHANCELLOR SCHMIDT ALREADY HAS THIS PROBLEM IN
CONNECTION WITH HIS OWN ECONOMIC PROGNOSTICATIONS,
AND IT IS AS IF HE HAS NOW SHIFTED THE BURDEN TO THE
COUNCIL. THE COUNCIL COMES OUT OF IT ALL APPEARING
TO BE A MERE ECHO OF AND RATIFIER FOR THE GOVERNMENT,
WHICH IN GERMANY IS NOT SUPPOSED TO BE THE CASE.
FINALLY, AND IMPORTANTLY, NO CLEAR EVIDENCE IS PROVIDED
TO SUPPORT THE EXPECTATION THAT 1976 WILL BE A GOOD
ECONOMIC YEAR, OR EVEN ANY BETTER THAN THE CURRENT ONE.
IF SUCH CONVINCING ARGUMENTS COULD HAVE BEEN SUMMONED
UP TO SUPPORT SUCH A THESIS, THEY CERTAINLY WOULD
HAVE BEEN PRESENTED IN THIS DOCUMENT.

13. STATISTICAL APPENDIX:

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R 211807Z AUG 75

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TABLE I

1975 GNP - NOMINAL

PERCENT CHANGE FROM PREVIOUS YEAR

FORECAST OF 11/74 FORECAST OF 8/75

PRIVATE CONSUMPTION	9	8
PUBLIC CONSUMPTION	10.5	11.5
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TOTAL FIXED INVESTMENT	3	- 2.0
MACH & EQUIP	6.5	0.5
CONSTRUCTION	1.0	- 4.5
CHANGES IN STOCKS	--	
NET FOREIGN BALANCE	--	
EXPORTS	13	- 1
IMPORTS	13.5	2.5
GNP	8.0	5.5

TABLE II

1975 GNP - REAL
PERCENT CHANGE FROM PREVIOUS YEAR

FORECAST OF 11/74 FORECAST OF 8/75

PRIVATE CONSUMPTION	3.0	2.0
PUBLIC CONSUMPTION	2.0	2.5
TOTAL FIXED INVESTMENT	-2.0	-6.0
MACH & EQUIP	0.0	-4.5
CONSTRUCTION	-3.5	-7.5
CHANGES IN STOCKS	--	
NET FOREIGN BALANCE	--	
EXPORTS	4.0	-8.0
IMPORTS	5.0	1.0
GNP	2.0	-3.0

TABLE III

1975 GNP - SEMI-ANNUAL
PERCENT CHANGE FROM PREVIOUS YEAR

	NOMINAL		REAL	
	1ST	2ND	1ST	2ND
	HALF	HALF	HALF	HALF

PRIVATE CONSUMPTION	8.0	8.0	2.0	2.0
PUBLIC CONSUMPTION	13.0	10.5	3.5	2.5
TOTAL FIXED INVESTMENT	-5.0	0.5	-9.0	-3.0
MACH & EQUIP	0.5	1.0	-6.0	-3.0
CONSTRUCTION	-9.0	-0.5	-12.0	-3.0
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CHANGES IN STOCKS	--
NET FOREIGN BALANCE	--
EXPORTS	0.0 -1.5 -11.0 -4.5
IMPORTS	3.0 2.0 -1.0 3.0
GNP	4.5 6.5 -5.0 -1.0

TABLE IV

1975 GNP - NOMINAL
ABSOLUTE VALUES (SEE FOOTNOTE)
(DM BILLION)

FULL YEAR 1ST HALF 2ND HALF

PRIVATE CONSUMPTION	575.5	273.0	302.5
PUBLIC CONSUMPTION	218.9	101.4	117.6

TOTAL FIXED INVESTMENT	219.4	101.9	117.3
MACH & EQUIP	95.3	45.6	49.9
CONSTRUCTION	123.3	56.2	67.0
CHANGES IN STOCKS	4.6	6.2	-1.8
NET FOREIGN BALANCE	30.3	16.0	15.0
EXPORTS	295.9	143.2	153.3
IMPORTS	265.6	127.2	138.3
GNP	1048.7	498.5	550.6

(NOTE: TOTALS MAY NOT ADD EXACTLY DUE TO ROUNDING.)

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ACTION EUR-12

INFO OCT-01 EA-07 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-01

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 L-03 H-02 PA-01

PRS-01 CIAE-00 COME-00 FRB-03 INR-07 NSAE-00 USIA-06

XMB-02 OPIC-03 LAB-04 SIL-01 /094 W

----- 019019

R 211807Z AUG 75

FM AMEMBASSY BONN

TO SECSTATE WASHDC 2317

INFO AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMEMBASSY BERLIN

AMCONSUL BREMEN

AMCONSUL DUSSELDORF

AMCONSUL FRANKFURT

AMCONSUL HAMBURG

AMCONSUL MUNICH

AMCONSUL STUTTGART

USMISSION USBERLIN

C O N F I D E N T I A L SECTION 06 OF 06 BONN 13651

TABLE V

1975 GNP - REAL (1962 PRICES)
 ABSOLUTE VALUES (SEE FOOTNOTE)
 (DM BILLION)

FULL YEAR LST HALF 2ND HALF

PRIVATE CONSUMPTION 344.6 165.5 179.0
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PUBLIC CONSUMPTION	86.0	41.3	45.1
TOTAL FIXED INVESTMENT	130.8	61.5	69.3
MACH & EQUIP	66.3	32.0	34.2
CONSTRUCTION	64.5	29.6	35.0
CHANGES IN STOCKS	2.2	3.7	-2.2
NET FOREIGN BALANCE	13.6	7.5	6.6
EXPORTS	206.4	100.4	106.6
IMPORTS	192.8	92.9	100.0
GNP	577.2	279.5	297.8

(NOTE: TOTALS MAY NOT ADD EXACTLY DUE TO ROUNDING.)

CASH

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC CONDITIONS, ECONOMIC REPORTS, ECONOMIC ESTIMATES
Control Number: n/a
Copy: SINGLE
Draft Date: 21 AUG 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: greeneet
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975BONN13651
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750290-0216
From: BONN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750828/aaaaaymj.tel
Line Count: 739
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 14
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: greeneet
Review Comment: n/a
Review Content Flags:
Review Date: 18 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <18 APR 2003 by CunninFX>; APPROVED <07 OCT 2003 by greeneet>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: OPTIMISTIC SPECIAL REPORT OF FRG COUNCIL OF ECONOMIC ADVISORS RAISES SOME EYEBROWS
TAGS: EFIN, GE
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006